

**Supplemental Reporting Document  
Table of Contents  
August 2006 Investment Committee Meeting  
(June 2006 Reporting Period)**

**Quarterly Reports**

Member Home Loan Program  
Public Records Act Requests



**Investment Office**

P.O. Box 2749

Sacramento, CA 95812-2749

Telecommunications Device for the Deaf - (916) 795-3240

(916) 795-0444

August 24, 2006

**SUPPLEMENTAL ITEM**

**TO: MEMBERS OF THE INVESTMENT COMMITTEE**

- I. SUBJECT:** Member Home Loan Quarterly Performance Report
- II. PROGRAM:** Member Home Loan Program (MHLP)
- III. RECOMMENDATION:** Information only

**IV. ANALYSIS:**

For the quarter ended June 30, 2006, the CalPERS Member Home Loan Program purchased approximately \$25.8 million of FNMA and GNMA securities. This represents a 48.5% decrease in these mortgage-backed securities purchased from the previous quarter total of \$50.1 million.

During this same period, the CalPERS Member Home Loan Program also purchased \$5.3 million of whole (jumbo) loans. This represents a 42.4% decrease of whole loans purchased from the previous quarter total of \$9.2 million.

For the 12 month period, July 1, 2005 through June 30, 2006, the Member Home Loan Program purchased approximately 2,062 real estate loans totaling \$462.1 million.

**V. STRATEGIC PLAN:**

This item is consistent with Goal V: Provide sustainable pension benefit products and services responsive to and valued by members, employers and stakeholders.

**VI. RESULTS/COSTS:**

Attachment 1 is the quarterly report prepared by CitiMortgage.

---

Mark Yelavich  
Investment Officer

---

Arnold B. Phillips  
Senior Portfolio Manager

---

Curtis D. Ishii  
Senior Investment Officer

---

Russell Read  
Chief Investment Officer

# *CalPERS Member Home Loan Program*



## *Quarterly Update Report as of June 30, 2006*

Presented by:



Manager of the CalPERS  
Member Home Loan Program

# *CalPERS Member Home Loan Program*



## TABLE OF CONTENTS

- *Informational Bulletin / Points of Interest . . . . . 2-3*
- *MHLP Purchases as of 06/30/06 . . . . . 4*
- *Portfolio Holdings as of 06/30/06 . . . . . 5*
- *Delinquency: CalPERS FNMA MBS vs. MBA . . . . . 6*
- *Delinquency: CalPERS MHLP vs California Jumbo Portfolio . . . . . 7*
- *MHLP Personal Whole Loans . . . . . 8*
- *Participating Lender List . . . . . 9*
- *Qualifying Standards for CalPERS Participants . . . . . 10*

# CALPERS MEMBER HOME LOAN PROGRAM

## Informational Bulletin

---

### *Highlights For The Quarter Ending 6/30/06*

---

- **Program to Date**, CalPERS has purchased a total of 126,352 loans totaling \$19.841 billion dollars (figure does not include Personal Loans).
- **Purchases for the Quarter Ending 06/30/06**, were \$31.344 million dollars (figure includes Personal Loans). (see page 4).
- **Portfolio Holdings as of 06/30/06** were \$685.2M (see page 5).
- **Mortgage Loan Delinquencies (MBA vs. CalPERS) as of 03/31/06:**
  - Fannie Mae MBS Delinquencies decreased by 22 bps
  - MBA delinquency statistics decreased by 24 bps (No exposure to CalPERS, see page 6);
- **Whole Mortgage Loan Delinquencies as of 06/30/06** increased by 22 bps. (CalPERS exposure see page 7).
- **Percentage of Personal Whole Loan Delinquency as of 06/30/06** increased by .46% (see page 8).
- **Number of Lending Institutions participating in the MHLP** is 41 with a total of 604 branch locations statewide (see page 9).
- **CMI CalPERS Pipeline & Purchase Information for YTD ending 06/30/06:**

Committed not Purchased:	313	\$ 80,437,819	
Total Commitments Issued (YTD):	1017	\$ 261,160,294	<b>Avg/month: \$43,526,715.67</b>
Total Purchased (YTD):	721	\$ 177,867,068	<b>Avg/month: \$29,644,511.33</b>
Purchase/Refinance Percentage (%):	27%/73%		

#### **Points of Interest - 2<sup>nd</sup> Quarter, 2006**

CalPERS MHLP expanded its loan menu by introducing the InterestFirst Program. InterestFirst Offers added flexibility with both Fixed Rate and Adjustable Rate mortgage loans and can make home purchases possible that were previously unaffordable.

When CalPERS employees use an InterestFirst mortgage loan they make interest-only payments for the first 7- or 10-years of the loan. After the interest-only period, the loan takes on principal payments with varying interest calculations depending on the loan type. These mortgage loan options feature low interest-only payments that enable borrowers to obtain larger loan amounts, increase their purchasing power, and expand the selection of homes they can purchase.

The InterestFirst Program may be appropriate for CalPERS Members just beginning their careers. Low initial payments can expedite the home buying process, while long interest-only periods allow them time to establish themselves in their careers and prepare for higher payments later in the loan term.

Additionally, the program may also be a good fit for those employees looking to stay in a home for only a short period of time (average time before purchase or refinance varies by region, but an average of 5-7 years is not uncommon). During the early years of any mortgage, principal payments are nominal and equity is primarily built through property appreciation. Taking this into account, the InterestFirst Program allows Members to take advantage of the short-term interest rates and low monthly payments associated with interest-only mortgage loans, while at the same time benefiting from any equity built through property appreciation.

# CALPERS MEMBER HOME LOAN PROGRAM

## Informational Bulletin

### **Marketing/Lead Tracking Report (Top 5 categories)**

Agency Liaison Fair/Conference	896 leads	=	25.956% (of total leads)
Co-Worker Referral	710 leads	=	20.568%
Paycheck Stuffer	489 leads	=	14.166%
Agency Publication	351 leads	=	10.168%
CalPERS Website	341 leads	=	9.878%

Total leads generated in 2<sup>nd</sup> Quarter, 2006 = 3,452

### **CalPERS Publications:**

This quarter, we engaged an advertising agency to produce Program advertisements, sales, and agency materials. This will create a consistent, professional look across all the MHLP communications. We produced eye-catching banners to be used at workshop presentations and conferences, advertisements for CSEA, an article for Employer News, and an ad for the PERSpective. We also have revised flyers for agency liaisons and account executives, and developed new agency payroll stuffers. A new MHLP brochure (versions in English and Spanish) is currently in production.

The State Controller's office has set aside August 1<sup>st</sup> and October 1<sup>st</sup> for remaining distributions of MHLP payroll stuffers for active state employees. This payroll stuffer distribution (3x/year) was responsible for 2,097 leads (13.51% of total leads generated) for MHLP in 2005. Lead goal (per each distribution) = 300; Lead referral goal = 75 (25%); Loan goal = 6 (8% conversion). The March 1<sup>st</sup> payroll stuffer distribution resulted in 814 total leads (1<sup>st</sup>-2<sup>nd</sup> Q), resulting in 14 loans (at about the predicted conversion ratio).

The greatest single source of leads resulting in closed loans continues to be referrals from family or co-workers of Members, with 31 total loans closed in the 1<sup>st</sup> and 2<sup>nd</sup> quarter.

### **CalPERS Market Strategy:**

This quarter, we introduced the 25<sup>th</sup> anniversary of the Member Home Loan Program through articles and advertisements to the Membership. We also reproduced the specially designed 25<sup>th</sup> Anniversary logo on various print materials, presentation banners, collateral, and even on a cake at our booth on CalPERS Family Day on May 20<sup>th</sup>! We also launched the availability of the InterestFirst Program through Member articles and inclusion on advertising materials.



### **CalPERS Events:**

Mike Thompson (Northern CA Agency Liaison) and Melissa Mark (Southern CA Agency Liaison) focused on planning and attending the May and June 2006 Retirement Planning Events. This year Mike and Melissa invited Preferred Loan Officers to join them at the events. We felt having the Loan Officers at the booth was very beneficial. The Loan Officers were able to answer more detailed questions and in some cases give the Member an idea of what purchase price they would qualify for, etc. Mike was able to do a Home Loan Workshop at most of the events to talk to the Members about the CalPERS MHLP 25<sup>th</sup> Anniversary and our new mortgage loan products.

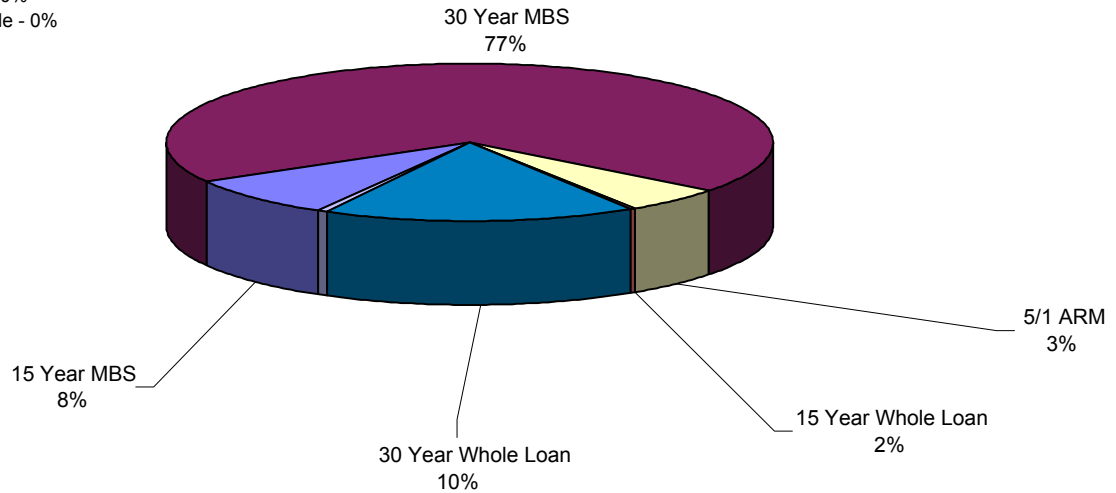
Although, we fell short of our total lead generation goal by 48%, we exceeded our hot lead goal (referred to a Preferred Loan Officer) by 9%.

### **Member Home Loan Program Staff**

Relationship / Site Manager, Angela Mia  
Customer Relations Supervisor, Bonnie McKee  
Communications Manager, Christine Schmidt  
Director of Marketing, Benjamin Salazar

**CalPERS MEMBER HOME LOAN PROGRAM**  
**PURCHASES**  
**FOR QTR ENDING 06/30/06**

Personal Whole Loans - 0%  
GNMA fixed - 0%  
GNMA Variable - 0%



INVESTMENT TYPES	LOANS	AMOUNT PURCHASED	Weighted Avg. Coupon	Weighted Avg. Maturity (Mos.)
<b>FNMA Mortgage Backed Securities<sup>(1)</sup></b>				
15 Year	16	\$ 2,594,910.85	5.00%	174.17
30 Year	90	\$ 21,600,148.80	5.53%	345.86
ARMs (all conforming)	6	\$ 1,652,826.54	5.50%	354.00
<b>GNMA Mortgage Backed Securities<sup>(2)</sup></b>				
Fixed	0	0		
Variable	0	0		
<b>Whole Loans<sup>(3)</sup></b>				
15 Year	1	\$ 140,473.47	4.60%	154.00
30 Year (including ARMs)	13	\$ 5,179,801.45	5.55%	345.84
<b>Sub-Total</b>	<b>126</b>	<b>\$ 31,168,161.11</b>	<b>5.48%</b>	<b>331.13</b>
Personal Whole Loans	13	\$ 175,964.00	8.71%	165.12
<b>GRAND TOTAL</b>	<b>139</b>	<b>\$ 31,344,125.11</b>	<b>5.50%</b>	<b>330.20</b>

<sup>(1)</sup> FNMA MBS

Servicing fees 25 basis points

<sup>(2)</sup> GNMA MBS

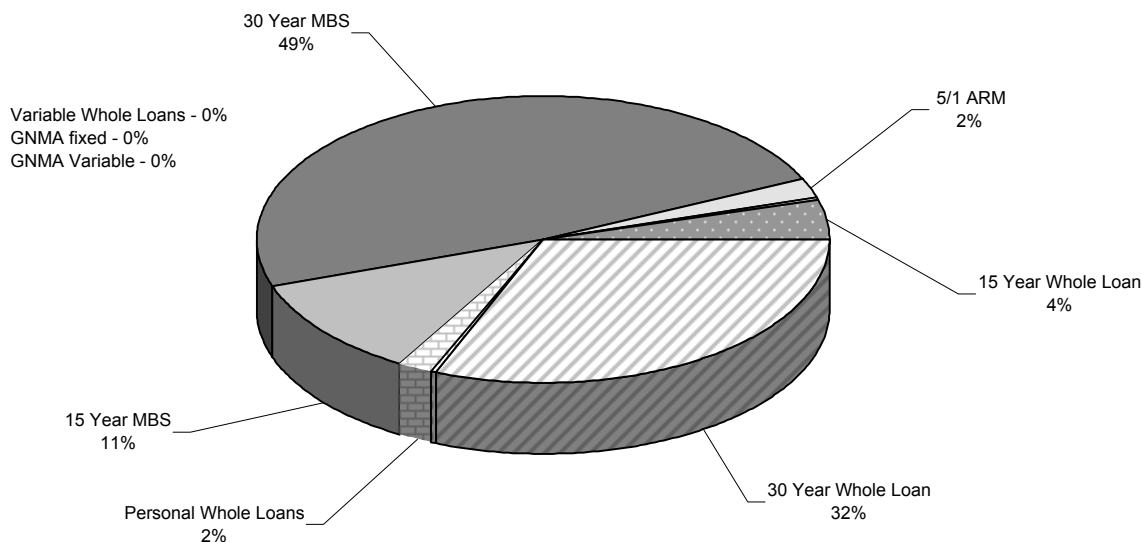
Servicing fees 19 basis points / 44 basis points  
Guaranty fees 6 basis points

<sup>(3)</sup> Whole Loans

Servicing fixed 25 basis points  
Servicing ARMS 37.5 basis points



**CalPERS MEMBER HOME LOAN PROGRAM**  
**PORTFOLIO HOLDINGS**  
**FOR QTR ENDING 06/30/06**



INVESTMENT TYPES	LOANS	PORTFOLIO BALANCE	Weighted Avg. Coupon	Weighted Avg. Maturity (Mos.)
<b>FNMA Mortgage Backed Security<sup>(2)*</sup></b>				
15 Year	1,046	\$ 77,775,624.93	4.67%	132.33
30 Year	1,964	\$ 330,533,004.83	4.91%	326.04
5/1 ARM	67	\$ 16,093,084.95	4.14%	343.58
<b>GNMA Mortgage Backed Security<sup>(3)</sup></b>				
Fixed	0	\$ 241,446.89	6.57%	300.23
ARMS	6	\$ 1,537,696.26	5.50%	301.50
<b>Whole Loans<sup>(4)</sup></b>				
15 Year	116	\$ 30,268,488.87	5.23%	117.23
30 Year	606	\$ 214,445,372.87	5.54%	320.60
Variable	2	\$ 345,854.56	5.34%	299.94
<b>Sub-Total</b>	<b>3,807</b>	<b>671,240,574.16</b>	<b>5.08%</b>	<b>292.78</b>
<b>Personal Whole Loans</b>	<b>2,483</b>	<b>\$ 13,953,546.74</b>	<b>6.86%</b>	<b>108.00</b>
<b>TOTAL *</b>	<b>6,290</b>	<b>\$ 685,194,120.90</b>	<b>5.12%</b>	<b>289.02</b>

<sup>(1)</sup>FNMA MBS

Servicing fees 25 basis points

<sup>(2)</sup>GNMA MBS

Servicing fees 19 basis points / 44 basis points  
Guaranty fees 6 basis points

<sup>(3)</sup>Whole Loans

Servicing Fixed 25 basis points  
Servicing ARMS 37.5 basis points

\*There are several pools that the Manager is not servicing. These pools do not reflect in the Portfolio Holdings.

	06/30/03	09/30/03	12/31/03	03/31/04	06/30/04	09/30/04	12/31/04	03/31/05	06/30/05	09/30/05	12/31/05	03/31/06
CalPERS	2.13	2.35	2.44	2.33	1.73	2.12	2.04	1.80	1.57	1.58	1.66	1.44
MBA	2.04	1.95	2.21	1.32	1.30	1.24	1.26	2.02	1.09	1.12	1.30	1.06

	# Loans	% Delinquent	UPB (\$)	% Delinquent
30 Days	338	1.23%	50,721,444.22	1.28%
60 Days	34	0.12%	4,736,917.87	0.12%
90 Days	17	0.06%	2,739,624.75	0.07%
Bankruptcy	25	0.09%	3,160,037.19	0.08%
Foreclosure	4	0.01%	836,768.60	0.02%
REO	0	0.00%	0.00	0.00%
Totals:	418	1.53%	62,194,792.63	1.57%
Total Portfolio				\$ 3,955,351,254.66

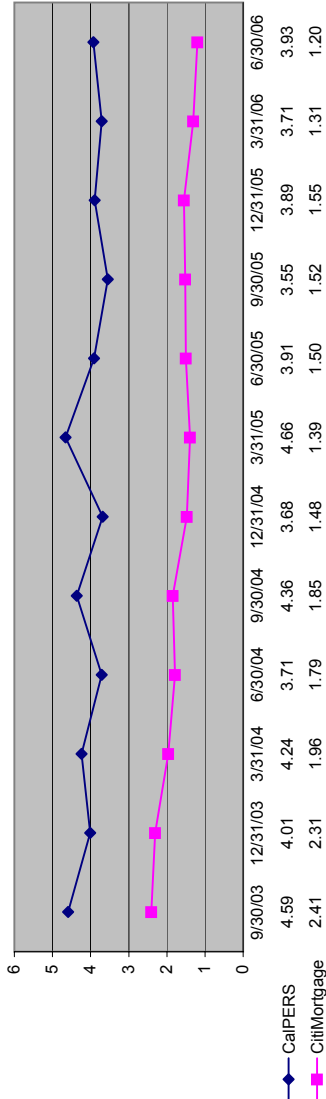
Category	Percentage
30 Days	1.23%
90 Days	0.12%
90 Days	0.06%
Foreclosure	0.09%
Foreclosure	0.01%
Foreclosure	0.00%
Totals:	1.53%

Page 6

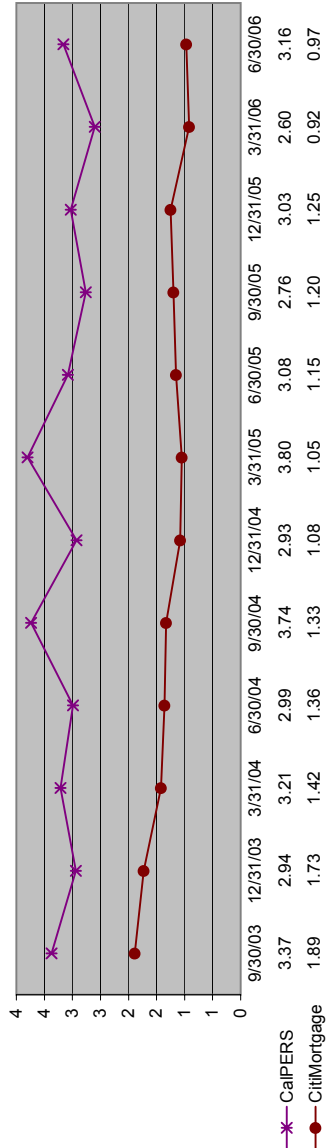
# DELINQUENCY REPORT

## CaIPERS MHLP PARTICIPATION CERTIFICATES VS. CALIFORNIA JUMBO PORTFOLIO

% LOANS DELINQUENT FOR QUARTER ENDING 6/30/06



% \$UPB DELINQUENT FOR QUARTER ENDING 6/30/06

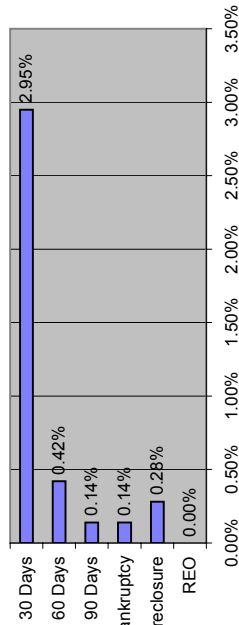


\*As of 9/30/03 Comparison is based on all CitiMortgage Jumbo Loans

### CaIPERS PARTICIPATION CERTIFICATES DELINQUENCY NUMBERS QUARTER ENDING 6/30/06

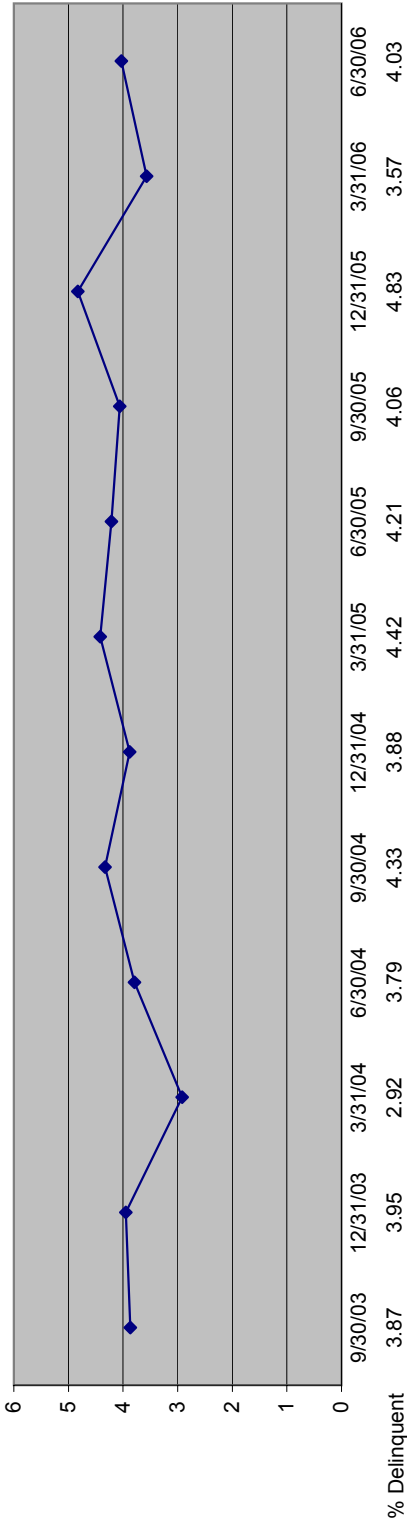
# Loans	% Delinquent	UPB (\$)	% Delinquent
30 Days	2.95%	6,290,476.95	2.56%
60 Days	0.42%	584,996.43	0.24%
90 Days	0.14%	311,523.56	0.13%
Bankruptcy	0.14%	226,820.05	0.09%
Foreclosure	0.28%	358,189.04	0.15%
REO	0.00%	0.00	0.00%
Totals:	3.93%	7,772,006.03	3.16%
Total Portfolio		# 712	\$ 245,773,534.69

CALPERS PARTICIPATION CERTIFICATES % OF LOANS  
DELINQUENT QTR ENDING 06/30/06



# DELINQUENCY REPORT CalPERS Personal Loans

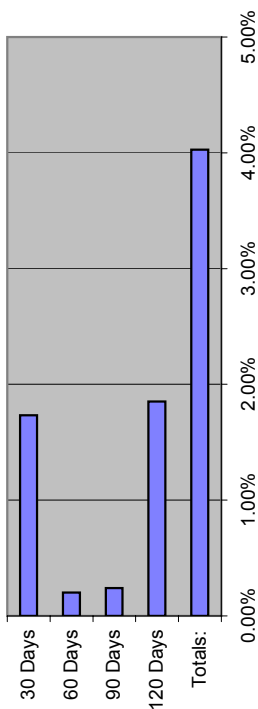
% LOANS DELINQUENT FOR QUARTER ENDING 06/30/06



PERSONAL WHOLE LOANS  
 DELINQUENCY NUMBERS  
 QTR ENDING 06/30/06

# Loans	% Delinquent	UPB (\$)
30 Days	1.73%	45,449.39
60 Days	0.20%	14,432.34
90 Days	0.24%	37,368.13
120 Days	1.85%	178,615.58
<b>Total Delinquent</b>	<b>4.03%</b>	<b>275,865.44</b>
<b>Total Portfolio</b>	<b>2,483</b>	<b>\$13,953,546.74</b>

PERSONAL WHOLE LOANS  
 % OF LOANS DELINQUENT  
 QTR ENDING 06/30/06



For all graphs above, percentages are based on loan count in order to calculate delinquency data consistent with the MBA.

Personal loans that have been called into default (program to date):	
number of loans: 552	\$ total: \$2,513,374.83

Personal loans that have been purchased by CalPERS (program to date):	
number of loans: 19,713	\$ total: \$145,812,873.00

## APPENDIX A

### **CalPERS MEMBER HOME LOAN PROGRAM PARTICIPATING LENDER LIST AS OF 06/30/06**

ALTURA CREDIT UNION  
AMERICAN HOME MORTGAGE  
ARROWHEAD CENTRAL CREDIT UNION  
BROADVIEW MORTGAGE COMPANY  
CENTRAL PACIFIC MORTGAGE CO.  
COUNTRYWIDE HOME LOANS, INC.  
CTX MORTGAGE COMPANY  
CU WEST MORTGAGE, INC.  
DHI MORTGAGE COMPANY, LTD.  
EAGLE HOME MORTGAGE, INC.  
FIRST BANK MORTGAGE  
FIRST HORIZON HOME LOAN CORPORATION  
FIRST MAGNUS FINANCIAL CORPORATION  
FIRST MORTGAGE CORPORATION  
FIRST NORTHERN BANK OF DIXON  
GATEWAY BUSINESS BANK  
GMAC MORTGAGE CORPORATION  
GOLDEN EMPIRE MORTGAGE, INC.  
GOLDEN STATE MORTGAGE TRUST, INC.  
GUILD MORTGAGE COMPANY  
HARBORSIDE FINANCIAL CORPORATION

K. HOVANIAN AMERICAN MORTGAGE  
MOUNTAIN WEST FINANCIAL, INC.  
NCMC A SUBSIDIARY OF NATIONAL CITY  
NEW CENTURY MORTGAGE CORPORATION  
PINNACLE FINANCIAL CORPORATION  
PROVIDENT MORTGAGE CORPORATION  
PROVIDENT SAVINGS BANK  
SANTA CLARA COUNTY FEDERAL CREDIT UNION  
SANTA CRUZ MORTGAGE COMPANY  
SCME MORTGAGE BANKERS, INC.  
SIERRA PACIFIC HOME LOANS  
SIERRA PACIFIC MORTGAGE COMPANY, INC.  
THE GOLDEN 1 CREDIT UNION  
THE MORTGAGE HOUSE, INC.  
U.S. FINANCIAL MORTGAGE CORPORATION  
UNITED PACIFIC MORTGAGE  
UNIVERSAL AMERICAN MORTGAGE COMPANY  
VITEK  
WELLS FARGO BANK  
WESTERN SIERRA NATIONAL BANK

**TOTAL NUMBER OF LENDERS:**  
**TOTAL NUMBER OF BRANCHES:**

**41**  
**604**

## APPENDIX B

### Qualifying Standards for CalPERS Participants

- Audited financial statements, which usually report the performances of the past two years.
- The most update quarterly financial statements (unaudited interims)
- Quality control procedures
- FNMA approved with ID number (letter attached).
- Net worth of at least \$500,000 (based on audited financial statements).
- Has been in business for two years (based on audited financial statements).
- Has operated profitably for two years (based on audited financial statements).
- Approval from: RADIANT, GEMICO, UGIC, PMI, MGIC, RMIC, or TRIAD
- Certification of current Error & Omissions Insurance and Fidelity Bond Coverage (minimum coverage at least \$300,000 and current at time of review).

**For applicants requesting SERVICING RETAINED status:**

- The Applicant's delinquency and foreclosure ratios in California for the past three years are equal to or less than the average ratios for comparable institutions as reported by the MBA.
- Currently servicing a residential loan portfolio of at least \$300MM with the capacity of servicing FNMA MBS'.

# PUBLIC RECORDS ACT REQUESTS

## April 1, 2006 to June 30, 2006

Request Date	Requester	Subject	Response
4/4/06	Media	R. Hayes/Board letters, e-mails, etc.	Public record documents provided on 5/16/06.
4/4/06	Business	Employer Contributions and Normal Cost Rate	Public record documents provided on 4/7/06.
4/11/06	Media	Correspondence to/from Shanihan/Board re AIM	Public record document provided on 5/16/06.
4/11/06	Individual	Correspondence R.Hayes/Angelides/Buenrostro 01-04; Video Tapes of Board Meetings 1/99 – 6/99	Response provided on 6/9/06.
4/11/06	Business	GTAA and CalPERS IPS	Response provided on 4/28/06.
4/12/06	Individual	Regulations/Mailing List	Response provided on 5/4/06.
4/17/06	Union	Unit 5 Retirement Formula	Response provided on 5/16/06.
4/20/06	Individual	AIM Info/Health Point Partners	Public record documents provided on 5/21/06.
4/20/06	Individual	Richard Prentice/City of Hawthorne/CalPERS Correspondence	Public record documents provided on 6/2/06.
4/20/06	Individual	AIM Info/Wetherly Capital	Public record documents provided 6/10/06.
4/20/06	Individual	Jan- May 2003 Minutes of Board, HBC	Public record documents provided on 4/25/06.
5/3/06	Legislator	Retirement Packages for State	Response pending.
5/3/06	Union	Contribution Rates for 7 Police Departments	Response provided on 5/24/06.
5/4/06	Public Agency	Administrative Expenses for Retirement OCERS	Response provided on 5/10/06.
5/8/06	Individual	Watsonville Valuation Reports	Public record documents provided on 5/24/06.
5/16/06	Individual	ING GHENT – RFP 2001-2428	Public record document provided on 5/26/06.
5/17/06	Business	RFP Bidders/Public Affairs/Communication	Public record documents provided on 6/9/06.
5/19/06	Law Firm	Caremark Agreement/ Related RFP Documents	Response pending.
5/19/06	Media	Documents between Wetherly Capital Group/Board	Public record documents provided on 6/23/06.
5/22/06	Individual	HealthPoint Partners/State Treasurer Documents	Response provided on 6/7/06.
5/23/06	Law Firm	R Street Project 22-096, Bid Package 3	Response pending.
5/25/06	Individual	PRA Requests Referring to Phil Angelides/Treasurer	Response pending.
5/25/06	Individual	PRA Requests Referring to Steve Westly/Controller	Request withdrawn on 6/22/06.
5/25/06	Individual	R. Hayes / Treasurer Communication re: AIM	Response pending.
5/25/06	Individual	R. Hayes / Controller Communication re: AIM	Request withdrawn on 6/22/06.
5/30/06	Individual	Un-redacted 5/20/03 email from R. Hayes to Controller's Office	Response provided on 6/9/06.
5/31/06	Business	Cash Flow/ Private Equity/Venture Capital Funds	Response provided on 6/9/06.
6/2/06	Individual	PRA Policy/ California Urban Investment Partners	Public record documents provided on 7/20/06.

# **PUBLIC RECORDS ACT REQUESTS**

## **April 1, 2006 to June 30, 2006**

[illegible]